

VAN BUREN INTERMEDIATE SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

October 24, 2007

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Intermediate School District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Van Buren Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Intermediate School District as of June 30, 2007, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Van Buren Intermediate School District

October 24, 2007

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2007, on our consideration of Van Buren Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages v through xii and 25 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Van Buren Intermediate School District's basic financial statements. The additional information on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mamer, Costenizer & Ellis, P.C." The signature is written in a cursive style with a large initial 'M' and a distinct ampersand symbol.

Certified Public Accountants

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The Administration's discussion and analysis, a requirement of GASB 34, is intended to be the Van Buren Intermediate School District Administration's discussion and analysis of the financial results for the year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB 34, requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

FINANCIAL HIGHLIGHTS

The overall condition of all funds, governmental activities and business-type activities, remains in good shape for the District. In the future, financial activities and decisions will be based on the stability of state revenues and the ongoing mandates imposed by No Child Left Behind, Special Education requirements and other rules and regulations that school districts must address.

The assets of the Van Buren Intermediate School District exceeded its liabilities at the close of the most recent fiscal year by \$31.9 million (net assets). This was an increase of \$1.2 million from last year's total of \$30.7 million in net assets. As of June 30, 2007, \$19.4 million (unrestricted net assets) may be used to meet the District's ongoing obligations to taxpayers, students and vendors.

At the end of the current fiscal year, the aggregated fund balance for the District's operating funds (General Fund, Special Education Fund, and Vocational Technical Education Fund) was \$20.0 million or 61% of the total expenditures of these operating funds; last year it was at 57%. As of June 30, 2007, a total of \$2.1 million is designated for future building / renovation projects and \$3.6 million is designated for subsequent year expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The government-wide financial statements distinguish functions of the Van Buren Intermediate School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Van Buren Intermediate School District include instruction, support services, transfers to local districts and community services.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

USING THIS ANNUAL REPORT (Continued)

Reporting the District as a Whole (Concluded)

This annual financial statement reports the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates and facility conditions in arriving at their conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds can be found in this report under the heading "major governmental funds budgeting and operating highlights". The fund financial statements are found in this report and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

The District is the fiduciary for various student/other organizational group activities. All of the District's fiduciary activities are reported in a separate section in this report. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$31.9 million at June 30, 2007. Of this amount, \$19.4 million was unrestricted.

The largest portion of the District's net assets (61%) is unrestricted. The District may use this portion of its net assets to meet future spending.

A following is the analysis for fiscal years 2007 and 2006:

STATEMENT OF NET ASSETS
JUNE 30
(IN MILLIONS)

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	
	<u>2007</u>	<u>2006</u>
Current Assets	\$ 23.5	\$ 21.9
Noncurrent Assets	<u>13.7</u>	<u>13.7</u>
Total Assets	<u>37.2</u>	<u>35.6</u>
Current Liabilities	3.6	3.3
Noncurrent Liabilities	<u>1.7</u>	<u>1.6</u>
Total Liabilities	<u>5.3</u>	<u>4.9</u>
Net Assets		
Invested in Capital Assets	12.5	12.5
Unrestricted	<u>19.4</u>	<u>18.2</u>
<u>TOTAL NET ASSETS</u>	<u>\$ 31.9</u>	<u>\$ 30.7</u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

	<u>CHANGES IN NET ASSETS</u>	
	<u>YEAR ENDED JUNE 30</u>	
	<u>(IN MILLIONS)</u>	
	<u>GOVERNMENTAL</u>	
	<u>ACTIVITIES</u>	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program Revenues *		
Charges for Services	\$ 1.3	\$ 1.2
Operating Grants and Contributions	11.3	11.4
General Revenues:		
Property Taxes	17.1	16.0
Grants and State Aid	3.4	3.3
Other	0.9	0.7
Total Revenues	<u>34.0</u>	<u>32.6</u>
Functions/Program Expenses:		
Instruction	11.8	11.1
Support Services	18.8	17.9
Other	1.4	1.4
Depreciation	0.8	0.7
Total Expenses	<u>32.8</u>	<u>31.1</u>
<u>INCREASE IN NET ASSETS</u>	<u>\$ 1.2</u>	<u>\$ 1.5</u>

* Program revenues include: User fees for accounting software program, vocational center program sales, special education greenhouse sales, special education Medicaid fees and restricted state/federal monies.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund, the Special Education Fund, and the Vocational Technical Education Fund. During the fiscal year ended June 30, 2007, the School District amended the budgets of these major governmental funds two times.

General Fund

The general fund actual revenue was \$6.0 million. That amount is above the original budget estimates of \$5.5 million and below the final amended budget of \$6.0 million. The \$500,000 variance between the original and final budget was due to: interest earned on investments and private donations, increasing \$100,000; receiving new state and federal grants totaling \$500,000; and incoming transfers for services provided to local schools decreasing \$100,000. The variance between the final amended budget and the June 30, 2007 actual results was due mainly to reduced federal program revenue.

The actual expenditures of the general fund were \$5.9 million, which is equal to the original budget estimate of \$5.9 million and below the final amended budget of \$6.5 million. The \$600,000 variance between the original and final budget was due to a Michigan Department of Education student assessment fee of \$200,000, capital acquisitions of \$100,000 and an increase in federal grants \$300,000. The \$600,000 variance between the final amended budget and the June 30, 2007 actual results was due to not fully expending monies in all program areas during the current year.

The general fund had total revenues and other financing sources of \$5.9 million and total expenditures and financing uses of \$6.0 million with an ending fund balance of \$2.9 million.

Special Education Fund

The special education fund actual revenue was \$20.4 million. That amount is above the original budget estimate of \$20.0 million and below the final amended budget of \$20.6 million. The \$600,000 variance between the original and final budget was due a decrease in federal program revenue of \$500,000 and increases in property tax revenue \$150,000, interest income \$50,000, Medicaid fees of \$200,000, and state aid of \$700,000. The \$200,000 variance between the final amended budget and the June 30, 2007 actual results was mainly due to federal program revenue usage being less than projected.

The actual expenditures of the special education fund were \$19.4 million, which is below the original budget and final amended budget of \$21.6 million each. The \$2.2 million variance between the final amended budget and the June 30, 2007 actual results was due to not fully expending all monies in each program area in the amount of \$1.7 million, a reduction in non-federal pass through monies of \$200,000, and a reduction in facility construction costs of \$300,000.

The special education fund had total revenues and other financing sources of \$20.4 million and total expenditures and other financing uses of \$19.4 million with an ending fund balance of \$10.3 million.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Vocational Education Fund

The vocational education fund actual revenue for the fiscal year ending June 30, 2007 was \$9.1 million. That amount is above the original budget and final amended budget estimates of \$9.0 million each. The \$100,000 variance between the original and final budget was due to increases in property tax revenue.

The actual expenditures and other financing uses of the vocational-technical education fund were \$8.8 million, which is below the original budget of \$9.6 million and below the final amended budget of \$9.5 million. The \$100,000 variance between the original and final budget was mainly due to anticipated increases in instruction of \$200,000 and decreases to support services of \$100,000. The \$700,000 variance between the final amended budget and the June 30, 2007 actual results was due to budgeting for fully expending program areas.

The vocational technical education fund had total revenues and other financing sources of \$9.1 million and total expenditures and other financing uses of \$8.8 million with an ending fund balance of \$6.8 million.

GOVERNMENTAL FUND REVENUES

The total governmental fund revenues of the District were \$34 million. Of the total revenues, \$19.0 million or 56% were generated from local sources, \$9.0 million or 26% were generated from state sources, \$5.6 million or 17% from federal sources, and \$4 million or 1% were from incoming transfers and other transactions.

GOVERNMENTAL FUND EXPENDITURES

In reviewing the chart below, you will see that special education comprises 57% of all the expenditures within the governmental funds of the School District. Total governmental fund expenditures amounted to \$32.8 million. The governmental funds had a net gain in fund balance of approximately \$1.2 million. The ending fund balance for all governmental funds was \$20 million which represents 61% of current year expenditures. The ending fund balance percentage for the prior year represented 57% of last year's expenditures. This fund balance will be used to fund future programming, capital improvements and for maintenance of adequate cash flow to eliminate the need for borrowing.

	June 30, 2007	% of Total	June 30, 2006	% of Total
General Fund	\$ 5.8	17.7	\$ 5.6	17.2
Special Education Fund	18.7	57.0	19.3	59.2
Vocational Technical Education Fund	8.3	25.3	7.7	23.6
<u>TOTAL</u>	<u>\$ 32.8</u>	<u>100.0</u>	<u>\$ 32.6</u>	<u>100.0</u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the School District had \$20.8 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$7 million in depreciation has been taken over the years. We currently have net book value of \$13.7 million. Total acquisitions for the year were approximately \$862,000 and depreciation was \$761,339. At the end of the fiscal year, the School District was in the beginning stages of building a new transportation facility and had \$57,000 of construction in progress. It should be noted that as our buildings and vehicles continue to age, repairs and maintenance will be ongoing and will drain resources from the respective fund expenditures. See the notes to financial statements indicating the increases in the different asset areas.

**CAPITAL ASSETS AT YEAR END
(NET OF DEPRECIATION, IN MILLIONS)**

	GOVERNMENTAL ACTIVITIES	
	2007	2006
	Land	\$ 0.5
Buildings and Improvements	10.6	10.6
Furniture and Equipment	1.6	1.6
Vehicles / Buses	1.0	0.9
<u>TOTAL</u>	\$ 13.7	\$ 13.6

Long-Term Debt

At June 30, 2007, the School District had \$1,140,800 of Durant Resolution Bonds. These are a legal obligation of the school district, but the annual State of Michigan appropriation is the only revenue source making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the District is under no obligation for payment.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The economy in the State of Michigan continues to be slow. The current State of Michigan revenue estimates have declined significantly and the state has not experienced an economic turnaround based on last year's State Revenue Estimating Conference. In addition, health insurance costs have increased higher than the rate of inflation.

These factors were considered in preparing the Van Buren Intermediate School District's budgets for the 2007-2008 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Van Buren Intermediate School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Barbara Matthews
Director of Finance and Operations
Van Buren Intermediate School District
490 South Paw Paw Street
Lawrence, Michigan 49064
Fax (269) 674-8030, Office Telephone (269) 674-8091
or Email – bmatthews@vbid.org

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 18,950,107
Investments	1,398,933
Receivables:	
Accounts receivable	195,411
Taxes receivable	187,590
Due from other governmental units	2,203,333
Other	17,708
Prepaid expenditures	93,814
Inventory	414,638
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TOTAL CURRENT ASSETS	23,461,534
NONCURRENT ASSETS:	
Capital assets	20,803,581
Less accumulated depreciation	(7,049,563)
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TOTAL NONCURRENT ASSETS	13,754,018
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TOTAL ASSETS	\$ 37,215,552
	<hr/> <hr/>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 1,347,930
Accrued salaries and related items	1,758,492
Accrued interest	197,474
Due to other governmental units	2,088
Deferred revenue	251,268
Current portion of long-term obligations	32,878
Current portion of compensated absences	20,000
	<hr/>
TOTAL CURRENT LIABILITIES	3,610,130
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	1,152,102
Noncurrent portion of compensated absences	514,483
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TOTAL NONCURRENT LIABILITIES	1,666,585
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TOTAL LIABILITIES	5,276,715
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NET ASSETS:	
Invested in capital assets net of related debt	12,569,038
Unrestricted	19,369,799
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TOTAL NET ASSETS	31,938,837
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TOTAL LIABILITIES AND NET ASSETS	\$ 37,215,552
	<hr/> <hr/>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 11,799,621	\$ 422,699	\$ 5,331,658	\$ (6,045,264)
Support services	18,785,810	708,942	4,785,748	(13,291,120)
Community services	133,061	14,123	127,627	8,689
Outgoing transfer and other transactions	1,259,747	149,984	1,109,760	(3)
Interest on long-term debt	40,507			(40,507)
Unallocated depreciation	761,339			(761,339)
Total governmental activities	<u>\$ 32,780,085</u>	<u>\$ 1,295,748</u>	<u>\$ 11,354,793</u>	<u>(20,129,544)</u>
General revenues:				
Property taxes, levied for general purposes				406,730
Property taxes, levied for special education				9,580,165
Property taxes, levied for vocational education				7,180,185
State aid not restricted to specific purposes				3,380,625
Investment earnings				819,969
Other				45,872
Total general revenues				<u>21,413,546</u>
CHANGE IN NET ASSETS				1,284,002
NET ASSETS:				
Beginning of year				<u>30,654,835</u>
End of year				<u>\$ 31,938,837</u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>Special revenue</u>				Total governmental funds
	General fund	Special education fund	Vocational education fund	Other nonmajor governmental funds - Food service	
ASSETS					
ASSETS:					
Cash	\$ 2,662,222	\$ 9,908,319	\$ 6,366,046	\$ 13,520	\$ 18,950,107
Investments	57,365	655,380	686,188		1,398,933
Receivables:					
Accounts receivable	165,746		29,665		195,411
Taxes receivable	3,933	112,787	70,870		187,590
Due from other governmental units	305,269	1,712,865	185,199		2,203,333
Due from other funds	214,412	46,374	5,108	682	266,576
Interest receivable	1,673	5,236	10,799		17,708
Prepaid expenditures	93,814				93,814
Inventory	131,349		283,289		414,638
TOTAL ASSETS	\$ 3,635,783	\$ 12,440,961	\$ 7,637,164	\$ 14,202	\$ 23,728,110
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 313,599	\$ 761,316	\$ 273,015	\$	\$ 1,347,930
Accrued salaries and related items	218,237	1,056,505	483,750		1,758,492
Due to other funds	50,573	211,793	615	3,595	266,576
Due to other governmental units		75	2,013		2,088
Deferred revenue	188,449	97,330	16,057	682	302,518
TOTAL LIABILITIES	770,858	2,127,019	775,450	4,277	3,677,604

	<u>Special revenue</u>				Total governmental funds
	General fund	Special education fund	Vocational education fund	Other nonmajor governmental funds - Food service	
FUND BALANCES:					
Reserved, inventory	\$ 131,349	\$	\$ 283,289	\$	\$ 414,638
Reserved, prepaid expenditures	93,814				93,814
Unreserved:					
Designated for future building projects	71,000	2,000,000			2,071,000
Designated for subsequent years expenditures	172,517	2,633,347	808,523		3,614,387
Undesignated	2,396,245	5,680,595	5,769,902	9,925	13,856,667
TOTAL FUND BALANCES	2,864,925	10,313,942	6,861,714	9,925	20,050,506
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,635,783	\$ 12,440,961	\$ 7,637,164	\$ 14,202	\$ 23,728,110

Total governmental fund balances					\$ 20,050,506
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					
The cost of the capital assets is				\$ 20,803,581	
Accumulated depreciation is				(7,049,563)	
					13,754,018
Long-term liabilities are not due and payable in the current period and are not reported in the funds					
Bond payable					(1,140,800)
Compensated absences					(534,483)
Lease payable					(44,180)
Accrued interest is not included as a liability in government funds, it is recorded when paid					(197,474)
Deferred property taxes receivable at June 30, 2007 expected to be collected after September 1, 2007					51,250
Net assets of governmental activities					\$ 31,938,837

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	<u>Special revenue</u>			Other nonmajor governmental funds - Food service	Total governmental funds
	<u>General fund</u>	<u>Special education fund</u>	<u>Vocational education fund</u>		
REVENUES:					
Local sources:					
Property taxes	\$ 406,730	\$ 9,578,576	\$ 7,180,185	\$	\$ 17,165,491
Interest	122,535	410,967	286,467		819,969
Other	91,836	692,256	242,451	8,391	1,034,934
Total local sources	621,101	10,681,799	7,709,103	8,391	19,020,394
State sources	2,321,006	5,606,363	1,063,137		8,990,506
Federal sources	1,489,916	3,833,350	216,829	83,980	5,624,075
Operating transfers	238,981	49,744	133,073		421,798
Total revenues	4,671,004	20,171,256	9,122,142	92,371	34,056,773
EXPENDITURES:					
Instruction	802,505	6,509,344	4,636,983		11,948,832
Supporting services	4,905,535	10,658,682	3,430,405	89,526	19,084,148
Community services	6,414	124,966	1,681		133,061
Facilities acquisition	82,166	95,270	230,247		407,683
Outgoing transfers and other		1,259,747			1,259,747
Debt service:					
Principal repayment	33,815				33,815
Interest expense	3,386				3,386
Total expenditures	5,833,821	18,648,009	8,299,316	89,526	32,870,672
		<u>Special revenue</u>			
				Other nonmajor governmental funds - Food service	Total governmental funds
	<u>General fund</u>	<u>Special education fund</u>	<u>Vocational education fund</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,162,817)	\$ 1,523,247	\$ 822,826	\$ 2,845	\$ 1,186,101
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets		3,000	2,725		5,725
Transfers from other funds	1,223,670	193,204			1,416,874
Transfers to other funds	(193,204)	(745,075)	(475,000)	(3,595)	(1,416,874)
Total other financing sources (uses)	1,030,466	(548,871)	(472,275)	(3,595)	5,725
NET CHANGE IN FUND BALANCES	(132,351)	974,376	350,551	(750)	1,191,826
FUND BALANCES:					
Beginning of year	2,997,276	9,339,566	6,511,163	10,675	18,858,680
End of year	\$ 2,864,925	\$ 10,313,942	\$ 6,861,714	\$ 9,925	\$ 20,050,506

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net change in fund balances total governmental funds	\$ 1,191,826
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.</p>	
Depreciation expense	(761,339)
Capital outlay	861,845
Loss on sale of capital assets	(3,902)
Proceeds from sale of capital assets	(3,000)
<p>Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:</p>	
Accrued interest payable, beginning of the year	160,353
Accrued interest payable, end of the year	(197,474)
<p>Repayments on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)</p>	
Payment of capital leases	33,815
<p>Revenue is recorded on the accrual method in the statement of activities: in the governmental funds it is recorded on the modified accrual method and not considered available:</p>	
Deferred revenue, beginning of year	(49,661)
Deferred revenue, end of year	51,250
<p>Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when the financial resources are used in the governmental funds:</p>	
Accrued compensated absences, beginning of the year	534,772
Accrued compensated absences, end of the year	(534,483)
Change in net assets of governmental activities	\$ 1,284,002

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

	<u>Private purpose trust fund</u>	<u>Agency funds</u>
ASSETS		
ASSETS:		
Cash	\$ 18,679	\$ 32,675
Due from other governmental units	999	
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 19,678</u></u>	<u><u>\$ 32,675</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to student and other groups	<u>\$</u>	<u>\$ 32,675</u>
NET ASSETS:		
Reserved for trust activities	<u>19,678</u>	
	<u><u>\$ 19,678</u></u>	<u><u>\$ 32,675</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2007**

	Private purpose trust fund
Additions:	
Local sources	\$ 8,347
Deductions:	
Other expenses	4,629
Change in net assets	3,718
Net assets, beginning of year	15,960
Net assets, end of year	\$ 19,678

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Van Buren Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Van Buren Intermediate School District (the "District") is governed by the Van Buren Intermediate School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in two parts - invested in capital assets, net of related debt and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues.)

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and proprietary funds, the latter are also included in government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Special revenue funds:

The *special education fund* accounts for revenue sources that are legally restricted to expenditures for special education.

The *vocational education fund* accounts for revenue sources that are legally restricted to expenditures for career services and technical education.

Other Non-major Funds

The *special revenue funds* account for the revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service in the special revenue funds.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within approximately 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Categorical Revenue

The District receives revenue from the state for general operations and to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

For the year ended June 30, 2007, approximately \$407,000 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	0.1429
Special revenue funds:	
Special education fund	3.3662
Vocational education fund	2.5248

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the general fund and special revenue funds consist of expendable supplies held for consumption and are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Inventories of the vocational education fund are comprised principally of land held for resale and houses held for resale.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	20 - 50 years
Buses and other vehicles	8 years
Furniture and other equipment	5 - 20 years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Continued)

6. Compensated absences

The District's policies generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special education, and vocational education funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's rating	%
MILAF External Investment pool - MICMS	\$ 6,770	0.0027	AAAm	0.48%
MILAF External Investment pool - MIMAX	492,163	0.0027	AAAm	35.18%
MILAF Term A investments	<u>900,000</u>	0.1215	AAAm	<u>64.34%</u>
Portfolio weighted average maturity	<u>\$ 1,398,933</u>	<u>0.0791</u>		<u>100.00%</u>
1 day maturity equals 0.0027				

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. The pooled investment funds utilized by the District are the Michigan Investment Liquid Asset Funds (MILAF). These are external pooled investment funds of “qualified” investments for Michigan school districts. MILAF is not regulated nor are they registered with the SEC. MILAF reports as of June 30, 2007, the fair value of the District’s investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2007, \$18,532,018 of the District’s bank balance of \$19,232,018 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$19,001,461.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk - investments. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$51,354	\$ 19,001,461
Investments	1,398,933
	\$ 20,400,394
	\$ 20,400,394

The above amounts are reported in the financial statements as follows:

Cash - fiduciary fund	\$ 51,354
Cash - district-wide	18,950,107
Investments - district-wide	1,398,933
	\$ 20,400,394
	\$ 20,400,394

NOTE 4 - RECEIVABLES

Receivables at June 30, 2007 from other governmental units consist of the following:

Governmental units:	
State aid	\$ 1,195,371
Federal revenue	975,632
Other	32,330
	\$ 2,203,333
	\$ 2,203,333

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - RECEIVABLES

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 5 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Reclassifications/ deletions	Balance June 30, 2007
Assets not being depreciated - land	\$ 480,977	\$ 79,866	\$	\$ 560,843
Other capital assets:				
Buildings and additions	14,406,794	321,460		14,728,254
Equipment	3,429,183	166,961	17,000	3,579,144
Buses and other equipment	1,696,999	293,558	55,217	1,935,340
Subtotal	19,532,976	781,979	72,217	20,242,738
Accumulated depreciation:				
Buildings and additions	3,757,571	330,575		4,088,146
Equipment	1,806,287	220,409	17,000	2,009,696
Buses and other equipment	789,681	210,355	48,315	951,721
Subtotal	6,353,539	761,339	65,315	7,049,563
Net capital assets	<u>\$ 13,660,414</u>	<u>\$ 100,506</u>	<u>\$ 6,902</u>	<u>\$ 13,754,018</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$761,339. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT

The District issues general and limited obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term debt currently outstanding is as follows:

1998 limited obligation bonds (Durant bonds) due in annual installments of \$107,524 to \$679,018 due May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	\$ 1,140,800
Computer capital lease - month payments of \$2,862 with interest at 4.99%	44,180
Compensated absences	<u>534,483</u>
Total general long-term debt	<u><u>\$ 1,719,463</u></u>

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The annual payments to amortize the limited obligation bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 107,524	\$ 28,153	\$ 135,677
2010	112,639	23,033	135,672
2011	118,004	17,670	135,674
2012	123,615	12,052	135,667
2013	<u>679,018</u>	<u>232,550</u>	<u>911,568</u>
	<u><u>\$ 1,140,800</u></u>	<u><u>\$ 313,458</u></u>	<u><u>\$ 1,454,258</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

The annual payments to amortize the computer lease are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 32,878	\$ 1,461	\$ 34,339
2009	11,302	118	11,420
	<u>\$ 44,180</u>	<u>\$ 1,579</u>	<u>\$ 45,759</u>

The following is a summary of the changes in liabilities reported in the general long-term debt account group.

	Computer lease	Limited obligation bond (Durant)	Compensated absences	Total
Balance, June 30, 2006	\$ 77,995	\$ 1,140,800	\$ 534,772	\$ 1,753,567
Additions			21,414	21,414
Deletions	(33,815)		(21,703)	(55,518)
Balance, June 30, 2007	44,180	1,140,800	534,483	1,719,463
Less current portion	(32,878)		(20,000)	(52,878)
Total due after one year	<u>\$ 11,302</u>	<u>\$ 1,140,800</u>	<u>\$ 514,483</u>	<u>\$ 1,666,585</u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

The composition of interfund transfers is as follows:

	Transfers out				Total
	General fund	Special education fund	Vocational education fund	Food service fund	
Transfers in:					
General fund	\$	\$ 745,075	\$ 475,000	\$ 3,595	\$ 1,223,670
Special education fund	193,204				193,204
 Total	<u>\$ 193,204</u>	<u>\$ 745,075</u>	<u>\$ 475,000</u>	<u>\$ 3,595</u>	<u>\$ 1,416,874</u>

Transfers are made annually to allocate expenditures for indirect costs.

Amounts due to and from other funds at June 30, 2007 are as follows:

Receivable fund	Amount	Payable fund	Amount
General fund	\$ 214,412	General fund	\$ 50,573
Special education fund	46,374	Special education fund	211,793
Vocational education fund	5,108	Vocational education fund	615
Food service fund	682	Food service fund	3,595
	<u>\$ 266,576</u>		<u>\$ 266,576</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007, were 16.34% of payroll through September 30, 2006, and 17.74% effective for October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2007, 2006 and 2005 were \$2,884,489, \$2,746,175 and \$2,240,050, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits or post-employment benefits which is the responsibility of the State of Michigan.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

In addition the District is also a member of the West Michigan Health Insurance Pool (WMHIP) for medical insurance. Approximately 1,600 employees from all districts are covered under this pool. The pool is classified as a MEWA. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premium for said year, all members of the specific pool's policy year may be subject to special assessment for each occurrence with the overall maximum coverage being unlimited. The pool maintains reinsurance for claims in excess of \$75,000 per person per plan year. The District has been informed of a special assessment being required for June 30, 2007 in the amount of \$66,346 which was accrued by the District at year end. This is the second year in the pool and the District is committed to be in the pool for one more year.

The District continues to carry commercial insurance for other needs including health insurance for other employee groups.

The School District also has a self-insured dental and vision plan for the benefit of certain employees. Claims are handled by an administrative service organization, which is reimbursed on a regular basis by the District. The balance of the plan at June 30, 2007 is \$28,448. The amount owed for claims submitted at June 30, 2007 is \$3,654. This amount is not included in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	Original budget	Final budget	Actual	Variance with final budget - positive (negative)
REVENUES:				
Local sources	\$ 472,080	\$ 579,490	\$ 621,101	\$ 41,611
State sources	2,116,480	2,358,835	2,321,006	(37,829)
Federal sources	1,348,223	1,602,676	1,489,916	(112,760)
Incoming transfers and other transactions	332,317	239,937	238,981	(956)
Total revenues	<u>4,269,100</u>	<u>4,780,938</u>	<u>4,671,004</u>	<u>(109,934)</u>
EXPENDITURES:				
Instruction	673,220	847,055	802,505	44,550
Supporting services	4,933,274	5,330,787	4,905,535	425,252
Community services	7,550	11,257	6,414	4,843
Facilities acquisition	103,500	98,800	82,166	16,634
Debt service:				
Principal repayment	31,278	33,815	33,815	
Interest expense	3,061	3,386	3,386	
Total expenditures	<u>5,751,883</u>	<u>6,325,100</u>	<u>5,833,821</u>	<u>491,279</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,482,783)</u>	<u>(1,544,162)</u>	<u>(1,162,817)</u>	<u>381,345</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	1,270,000	1,244,225	1,223,670	(20,555)
Operating transfers to other funds	(193,204)	(193,204)	(193,204)	
Total other financing sources (uses)	<u>1,076,796</u>	<u>1,051,021</u>	<u>1,030,466</u>	<u>(20,555)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (405,987)</u>	<u>\$ (493,141)</u>	<u>(132,351)</u>	<u>\$ 360,790</u>
FUND BALANCE:				
Beginning of year			<u>2,997,276</u>	
End of year			<u><u>\$2,864,925</u></u>	

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2007**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget - positive (negative)
REVENUES:				
Local sources	\$ 10,152,000	\$ 10,568,500	\$ 10,681,799	\$ 113,299
State sources	4,913,284	5,606,985	5,606,363	(622)
Federal sources	4,724,722	4,227,355	3,833,350	(394,005)
Incoming transfers and other transactions	9,750	29,363	49,744	20,381
Total revenues	<u>19,799,756</u>	<u>20,432,203</u>	<u>20,171,256</u>	<u>(260,947)</u>
EXPENDITURES:				
Instruction	6,919,294	6,963,411	6,509,344	454,067
Supporting services	11,913,475	11,969,431	10,658,682	1,310,749
Community services	218,584	113,905	124,966	(11,061)
Facilities acquisition	343,000	362,000	95,270	266,730
Outgoing transfers and other	1,400,000	1,450,000	1,259,747	190,253
Total expenditures	<u>20,794,353</u>	<u>20,858,747</u>	<u>18,648,009</u>	<u>2,210,738</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(994,597)</u>	<u>(426,544)</u>	<u>1,523,247</u>	<u>1,949,791</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	3,000	3,000	3,000	
Operating transfers from other funds	193,204	193,204	193,204	
Operating transfers to other funds	(815,000)	(766,625)	(745,075)	21,550
Total other financing sources (uses)	<u>(618,796)</u>	<u>(570,421)</u>	<u>(548,871)</u>	<u>21,550</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,613,393)</u>	<u>\$ (996,965)</u>	<u>974,376</u>	<u>\$ 1,971,341</u>
FUND BALANCE:				
Beginning of year			<u>9,339,566</u>	
End of year			<u>\$ 10,313,942</u>	

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
VOCATIONAL EDUCATION FUND
YEAR ENDED JUNE 30, 2007**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget - positive (negative)</u>
REVENUES:				
Local sources	\$ 7,530,000	\$ 7,609,628	\$ 7,709,103	\$ 99,475
State sources	1,101,500	998,548	1,063,137	64,589
Federal sources	217,829	217,829	216,829	(1,000)
Incoming transfers and other transactions	145,000	130,000	133,073	3,073
Total revenues	<u>8,994,329</u>	<u>8,956,005</u>	<u>9,122,142</u>	<u>166,137</u>
EXPENDITURES:				
Instruction	5,182,546	4,930,705	4,636,983	293,722
Supporting services	3,930,205	3,829,535	3,430,405	399,130
Community services	4,000	1,500	1,681	(181)
Facilities acquisition	35,000	271,000	230,247	40,753
Total expenditures	<u>9,151,751</u>	<u>9,032,740</u>	<u>8,299,316</u>	<u>733,424</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(157,422)</u>	<u>(76,735)</u>	<u>822,826</u>	<u>899,561</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	1,000	2,800	2,725	(75)
Operating transfers to other funds	(475,000)	(475,000)	(475,000)	
Total other financing uses	<u>(474,000)</u>	<u>(472,200)</u>	<u>(472,275)</u>	<u>(75)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (631,422)</u>	<u>\$ (548,935)</u>	<u>350,551</u>	<u>\$ 899,486</u>
FUND BALANCE:				
Beginning of year			<u>6,511,163</u>	
End of year			<u>\$ 6,861,714</u>	

ADDITIONAL INFORMATION

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
DURANT NON-PLAINTIFF BOND
JUNE 30, 2007**

Year ending June 30,	Principal	Interest rate	Interest due	Total
2009	\$ 107,524	4.76%	\$ 28,153	\$ 135,677
2010	112,639	4.76%	23,033	135,672
2011	118,004	4.76%	17,670	135,674
2012	123,615	4.76%	12,052	135,667
2013	679,018	4.76%	232,550	911,568
	<u>\$ 1,140,800</u>		<u>\$ 313,458</u>	<u>\$ 1,454,258</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority's Depository.

VAN BUREN INTERMEDIATE SCHOOL DISTRICT
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2007

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Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

October 24, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Intermediate School District as of and for the year ended June 30, 2007, which collectively comprise Van Buren Intermediate School District's basic financial statements and have issued our report thereon dated October 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Buren Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Van Buren Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Van Buren Intermediate School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.



A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described as 2007-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above as 2007-1, is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Buren Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Van Buren Intermediate School District in a separate letter dated October 24, 2007.

Van Buren Intermediate School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Van Buren Intermediate School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

October 24, 2007

Compliance

We have audited the compliance of Van Buren Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. Van Buren Intermediate School District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Van Buren Intermediate School District's management. Our responsibility is to express an opinion on Van Buren Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Van Buren Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Van Buren Intermediate School District's compliance with those requirements.

In our opinion, Van Buren Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Van Buren Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Van Buren Intermediate School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Van Buren Intermediate School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Van Buren Intermediate School District as of and for the year ended June 30, 2007, and have issued our report thereon dated October 24, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Van Buren Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer, Costensen & Ellis, P.C.

Certified Public Accountants

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Federal grantor program/program title	Federal CFDA number	Approved award/grant amount	Accrued (deferred) revenue 07/01/06	(Memo only) prior year expenditures	Current year expenditures	(Cash basis) current year receipts	Adjustments	Accrued (deferred) revenue 06/30/07
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Food Distribution Program - National School Lunch:								
Entitlement Commodities	10.550	\$ 2,861	\$	\$	\$ 2,861	\$ 2,861	\$	\$
Bonus Commodities	10.550	320			320	320		
Total Food Distribution Program - National School Lunch		3,181			3,181	3,181		
Food Distribution Program - Summer Food Service:								
Entitlement Commodities	10.550	1,561			1,561	1,561		
Bonus Commodities	10.550	284			284	284		
Total Food Distribution Program - Summer Food Service		1,845			1,845	1,845		
Total Food Distribution Programs		5,026			5,026	5,026		
Child Nutrition Cluster:								
National School Lunch Program:								
061950	10.555	468			468	468		
061960	10.555	2,484			2,484	2,484		
071950	10.555	3,978			3,978	3,978		
071960	10.555	24,598			24,598	24,598		
Total National School Lunch		31,528			31,528	31,528		
Summer Food Service:								
070900	10.559	47,426			47,426	47,426		
Total Child Nutrition Cluster		78,954			78,954	78,954		
Total U.S. Department of Agriculture		83,980			83,980	83,980		

This accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Federal grantor program/program title	Federal CFDA number	Approved award/grant amount	Accrued (deferred) revenue 07/01/06	(Memo only) prior year expenditures	Current year expenditures	(Cash basis) current year receipts	Adjustments	Accrued (deferred) revenue 06/30/07
U.S. Department of Education:								
Direct from U.S. Department of Education:								
Small Rural Schools Achievement Program:								
S358A055726	84.358A	\$ 41,737	\$	\$ 3,845	\$ 37,892	\$ 4,000	\$	\$ 33,892
S358A065726	84.358A	42,750			1,553			1,553
Total Small Rural Schools Achievement Program		84,487		3,845	39,445	4,000		35,445
Carol M. White Physical Education Program:								
Q215F050068	84.215F	557,012	79,080	383,580	145,034	130,000		94,114
Total direct from U.S. Department of Education		641,499	79,080	387,425	184,479	134,000		129,559
Passed through Michigan Department of Education:								
Special Education Cluster:								
Handicapped and School Programs:								
060450 0506	84.027	3,262,826	408,244	2,623,244	639,582	1,047,826		
070450 0607	84.027	3,287,270			2,757,008	2,100,000		657,008
070480 EOSD	84.027	50,000			50,000	45,000		5,000
060490 TS	84.027	70,000	22,000	70,000		22,000		
070490 TS	84.027	70,000			70,000	55,800		14,200
Total Handicapped and School Programs		6,740,096	430,244	2,693,244	3,516,590	3,270,626		676,208
Preschool Grant:								
060460 0506	84.173	101,124	16,855	49,855	51,269	68,124		
070460 0607	84.173	98,860			72,994	59,300		13,694
Total Preschool Incentive		199,984	16,855	49,855	124,263	127,424		13,694
Total Special Education Cluster		6,940,080	447,099	2,743,099	3,640,853	3,398,050		689,902

This accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Federal grantor program/program title	Federal CFDA number	Approved award/grant amount	Accrued (deferred) revenue 07/01/06	(Memo only) prior year expenditures	Current year expenditures	(Cash basis) current year receipts	Adjustments	Accrued (deferred) revenue 06/30/07
<u>U.S. Department of Education (Continued):</u>								
Passed through Michigan Department of Education (Continued):								
Title I, Migrant Education:								
051850 20042	84.011	\$ 97,617	\$ (383)	\$ 97,617	\$	\$	\$ (383)	\$
061850/20052	84.011	14,830	14,830	14,830		14,830		
061830 2006	84.011	621,567	2,277	52,277	569,290	571,567		
071380-2007	84.011	505,406			16,134			16,134
061850 20062	84.011	148,500	399	6,399	142,101	142,500		
061850 20064	84.011	53,397	(77)	423	53,474	53,397		
071850-20072	84.011	143,000			5,333			5,333
071850-20074	84.011	70,500			5,095			5,095
061890 0506	84.011	289,598	11,704	286,704	2,894	14,598		
071890 0607	84.011	356,984			356,237	300,000		56,237
Total Title I, Migrant Education		2,301,399	28,750	458,250	1,150,558	1,096,892	(383)	82,799
Voc Ed Basic Grants to States:								
053260 501611	84.048	25,000	3,263	25,000		3,263		
060460 0506	84.048	6,385	2,385	6,385		2,385		
Total Voc Ed Basic Grants to States		31,385	5,648	31,385		5,648		
Infants and Toddlers:								
061340 190	84.181	165,612	29,833	29,833	135,779	165,612		
071340 190	84.181	157,828			35,984	19,800		16,184
Total Infants and Toddlers		323,440	29,833	29,833	171,763	185,412		16,184

This accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Federal grantor program/program title	Federal CFDA number	Approved award/grant amount	Accrued (deferred) revenue 07/01/06	(Memo only) prior year expenditures	Current year expenditures	(Cash basis) current year receipts	Adjustments	Accrued (deferred) revenue 06/30/07
U.S. Department of Education (Concluded):								
Passed through Michigan Department of Education (Concluded):								
Title II, Part A Improving Teacher Quality:								
060520 0506	84.367	\$ 852	\$ 526	\$ 784	\$	\$ 526	\$	\$
060520 0607	84.367	68			68	68		
070520 0607	84.367	852						
Total Title II, Part A, Improving Teacher Quality		1,772	526	784	68	594		
Title V, Part A, Innovative:								
070250 0607	84.298	956			956	956		
Title III, English Language Acquisition:								
060580 0506	84.365	107,925	16,683	96,683	910	17,593		
060580-0607	84.365	10,332			10,332	10,332		
070580-0607	84.365	92,837			82,227	81,800		427
Total Title III, English Language Acquisition		211,094	16,683	96,683	93,469	109,725		427
Total passed through Michigan Department of Education		9,810,126	528,539	3,360,034	5,057,667	4,797,277	(383)	789,312
Passed Through Lewis Cass ISD:								
CTE Perkins								
073520 701219	84.048	184,325			184,325	184,325		
Passed through Berrien County ISD :								
Safe and Drug-Free Schools								
062860-0607	84.186	397			397	397		
Tech Prep :								
073540 701219	84.243	32,504			32,504	32,504		
Total passed thorough Berrien County ISD		32,901			32,901	32,901		
Total U.S. Department of Education		10,668,851	607,619	3,747,459	5,459,372	5,148,503	(383)	918,871

This accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

<u>Federal grantor program/program title</u>	<u>Federal CFDA number</u>	<u>Approved award/grant amount</u>	<u>Accrued (deferred) revenue 07/01/06</u>	<u>(Memo only) prior year expenditures</u>	<u>Current year expenditures</u>	<u>(Cash basis) current year receipts</u>	<u>Adjustments</u>	<u>Accrued (deferred) revenue 06/30/07</u>
<u>Michigan Department of Human Services:</u>								
Passed through Michigan Department of Human Services:								
Zero to Three Secondary Prevention:								
CTFPR-07-8001	93.558	\$ 131,250	\$	\$	\$ 47,949	\$ 51,760	\$	\$ (3,811)
In Home Parent Training:								
SFSC-05-80005	93.556	37,077	2,643	16,621	12,437	14,014		1,066
Total passed through MDHS		168,327	2,643	16,621	60,386	65,774		(2,745)
<u>Michigan Department of Community Health:</u>								
Passed through Michigan Department of Community Health:								
Medicaid School Based Services	93.778	2,617	41		2,575	255		2,361
Medicaid Administrative Outreach	93.778	132,335	46,509		74,769	121,278		
Total passed through MDCH		134,952	46,550		77,344	121,533		2,361
Total U.S. Department of Health and Human Services		303,279	49,193	16,621	137,730	187,307		(384)
Total Federal Financial Assistance		<u>\$ 11,056,110</u>	<u>\$ 656,812</u>	<u>\$ 3,764,080</u>	<u>\$ 5,681,082</u>	<u>\$ 5,419,790</u>	<u>\$ (383)</u>	<u>\$ 918,487</u>

VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS
YEAR ENDED JUNE 30, 2007

	Federal CFDA Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue 7/01/06	(Memo Only) Prior Year Expenditures	Current Year Expenditures	(Cash Basis) Current Year Receipts	Adjustments	Accrued (Deferred) Revenue 06/30/07
Medicaid Administrative Outreach	93.778							
Passed Through to:								
Bangor Public Schools		\$ 8,494	\$ 5,552	\$	\$ 8,494	\$ 11,412	\$	\$ 2,634
Bloomington Public Schools		3,981	2,926		3,981	5,425		1,482
Covert Public Schools		3,482	1,766		3,482	4,003		1,245
Decatur Public Schools		3,261	1,865		3,261	3,974		1,152
Gobles Public Schools		2,507	1,866		2,507	3,492		881
Hartford Public Schools		5,321	4,179		5,321	7,299		2,201
Larwence Public Schools		3,411	1,989		3,411	4,021		1,379
Lawton community Schools		3,759	2,459		3,759	4,994		1,224
Mattawan Consolidated Schools		12,416	6,881		12,416	15,209		4,088
Paw Paw Public Schools		5,491	4,160		5,491	7,724		1,927
South Haven Public Schools		7,637	4,514		7,637	9,862		2,289
Total Medicaid Administrative Outreach Passed to Subrecipients		59,760	38,157		59,760	77,415		20,502
Total Federal Funds Passed Through to Subrecipients		\$ 59,760	\$ 38,157	\$	\$ 59,760	\$ 77,415	\$	\$ 20,502

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activities of Van Buren Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and reconciles with the amounts in the preparation of the financial statements.
2. CFDA Program Special Education Cluster 84.027 and 84.173 was audited as a major program representing 64% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Expenditures in this schedule have been reconciled with Michigan Department of Education financial reports (DS4044, DS4092A, and other applicable reports).
5. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
6. Federal revenue is reported in the following funds in the financial statements:

General fund	\$ 1,489,916
Special education fund	3,833,350
Vocational education fund	216,829
School lunch fund	83,980
	5,624,075
Federal revenue not reported in the financial statements due to not receiving within 60 days of year end	57,007
Federal expenditures reported in the Schedule of Expenditures of Federal Awards	\$ 5,681,082

7. Adjustments - \$383 was adjusted.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

Finding 2007-1 - next page

Section III - Federal Award Findings and Questioned Costs

No findings or questioned costs were noted for the year ended June 30, 2007.

Section II – Findings – Financial Statement Audit

Finding - 2007-1

Finding considered a significant deficiency

Criteria: Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a control deficiency is considered a significant deficiency. The monthly bank reconciliations and journal entries are prepared and reconciled timely, however these transaction and procedures should be reviewed by someone other than the person who prepares them.

Condition: Currently, certain bank reconciliations and journal entries are prepared by the Director of Finance and Operations. Due to staffing limitations in this department, those bank reconciliations and journal entries are not being reviewed.

Context: Failure to review bank reconciliations and journal entries increases the risks that the financial statements accounting records and financial statements are not accurate.

Cause: Lack of review of over bank reconciliations and journal entries.

Effect: Inaccurate financial information may be used for management decisions and reporting.

Recommendation: Monthly bank reconciliations and journal entries prepared by the Director of Finance and Operations should be reviewed and approved by an appropriate individual. This procedures should be documented.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2007
CONTACT PERSON: BARBARA MATTHEWS
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Van Buren Intermediate School District respectfully submits the following corrective action plan for the year ended June 30, 2007.

Auditor: Maner, Costerisan & Ellis, P.C.
544 Cherbourg Drive, Suite 200
Lansing, Michigan 48917-5010

Audit Period: Year ended June 30, 2007

The finding from the June 30, 2007 schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

Finding - Financial statement audit

Finding 2007-1 Considered a significant deficiency

Condition: Currently, certain bank reconciliations and journal entries are prepared by the Director of Finance and Operations. Due to staffing limitations in this department, those bank reconciliations and journal entries are not being reviewed.

Action to be taken: At the end of each month, a journal entry report and bank reconciliations prepared by the Director of Finance and Operations will be forwarded to the Superintendent or his designee for review and approval.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

There were no findings for the prior two years.



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Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

October 24, 2007

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

In planning and performing our audit of the financial statements of Van Buren Intermediate School District as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Van Buren Intermediate School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 24, 2007 on the financial statements of Van Buren Intermediate School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

New Notification Requirements for Related Not-for-Profit Organizations with Gross Receipts of \$25,000 or less Such as Booster Groups and PTO's

The Pension Protection Act of 2006 requires these organizations to file an annual electronic notice for tax periods beginning after December 31, 2006, if these organizations are not required to file Form 990 (or 990-EZ), Return of Organization Exempt From Income Tax because their gross receipts are normally \$25,000 or less.

If they are a section 509(a)(3) supporting organization, generally, they must file a paper or electronic Form 990 (or Form 990-EZ) even if their gross receipts are normally \$25,000 or less. However, if they are a supporting organization of a religious organization and their gross receipts are normally \$5,000 or less they may file an annual electronic notice instead of Form 990 (or Form 990-EZ).

The annual electronic notice is due by the 15th day of the fifth month after the close of their tax period. For example, if their tax period ends on December 31, 2007, the annual electronic notice is due May 15, 2008.

The notice will require these organizations to provide the following information:

- Organization's legal name,
- Any other names your organization uses,
- Organization's mailing address,
- Organization's website address (if applicable),
- Organization's employer identification number (EIN),
- Name and address of a principal officer of your organization.
- Organization's annual tax period,
- Verify that your organization's annual gross receipts are still normally \$25,000 or less, and
- Indicate if your organization has terminated (is no longer in business).

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can effect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 - 2009 school year.

Accounting System

It is our understanding that the District will be transitioning to a new software package/upgrade from the existing software. We strongly encourage a proper oversight by management during the upgrade phase.

Please be aware of the following points before, during, and after the implementation process.

- Document all processes performed with the upgraded software and create/update the accounting procedures manual.
- Perform a formal testing of the upgrades to check functionality and review all internal control aspects during and after the upgrade process so that no controls are circumvented.
- Update all safeguards and password-protect all data.
- Review all accounts before and after the upgrade process to obtain assurance that all accounts have maintained their integrity.
- Be aware of any limitations of duties by personnel with the upgrades and prepare to shift responsibilities if the need arises.
- Perform training for employees to ease transition.
- Review/create a disaster recovery plan for all data.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

6

October 24, 2007

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Van Buren Intermediate School District, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mayer, Costenizer & Ellis, P.C.



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October 24, 2007

To the Board of Education
Van Buren Intermediate School District
Lawrence, Michigan

We have audited the financial statements of Van Buren Intermediate School District for the year ended June 30, 2007, and have issued our report thereon dated October 24, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Van Buren Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Van Buren Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Van Buren Intermediate School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Van Buren Intermediate School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Van Buren Intermediate School District's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Van Buren Intermediate School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Van Buren Intermediate School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is the estimated liability for compensated absences and capital assets.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the school district's financial reporting process that is, cause future financial statements to be materially misstated. In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the school district, either individually or in the aggregate, indicate matters that could have a significant effect on the school district's financial reporting process. Management has approved all adjustments.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the school district's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Finance Committee, Board of Directors, and management of Van Buren Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costenizer & Ellis, P.C.